

Historic, archived document

Do not assume content reflects current scientific knowledge, policies, or practices.

AD 7055
A 345
rpg

FARMERS' NEWSLETTER

Feed Grains



December 80/F-16

Tight supplies and rising demand have had a dramatic impact on the feed grain situation:

- Prices have risen enough to call sorghum, oats, and corn in Reserve 1 (with a call price of \$3.15) from the farmer-owned reserve. Barley has been released.
- Rising interest rates and storage costs are pushing the cost of holding grain in inventory to an all-time high.
- There is a wider differential than usual between current cash grain prices and prices for future delivery--partly reflecting costs of holding inventories.

For example, in early December, corn futures for December 1981 delivery were about 21 to 30 cents per bushel above the No. 2 yellow Chicago cash prices, compared with a year ago when the two were nearly the same. Prices for March 1981 delivery were about 45 cents above the Chicago cash prices, compared with 16 to 20 cents a year ago.

Here are some more facts to consider as you make your marketing plans:

- The sharp drop in U.S. output pulls total world coarse grain production down about 3 percent. However, world consumption likely will exceed produc-

* * * * *

USDA Changes Price Pattern for Calling Reserve

Secretary of Agriculture Bob Bergland announced on December 8 a change in the farmer-owned reserve program which will give the Secretary discretion to consider short-term price aberrations before calling reserves.

Before this change, reserves would be called automatically if the 5-day moving average price exceeded the call level for 5 consecutive days. With this change, the Secretary has the discretion not to call reserves if the daily adjusted average price for any of the previous 5 days is below the call point. This applies even if the 5-day moving average price exceeds the call level for the required 5 days.

* * * * *

tion, and world trade is expected to rise 3 percent. The United States will supply the bulk of the increase in exports and will account for about 72 percent of the world trade total.

- Total use of U.S. feed grains (domestic use plus exports) should nearly match last year's record which will drop stocks to about 21 million metric tons by the end of 1980/81. This compares with the 52 million tons at the end of 1979/80 and it would be the smallest U.S. carryover since 1975/76.

The Farmers' Newsletter is written and published by USDA's Economics and Statistics Service and approved by the World Food and Agricultural Outlook and Situation Board.
Principal contributor to this issue:
George R. Rockwell, Jr. (202) 447-8444.
The next feed grains newsletter is scheduled for late February.

FEED GRAIN FARM PRICES SHARPLY HIGHER

	1979/80	1980/81 ¹
	<i>Dollars per bushel</i>	
Corn	2.50	3.35-3.75
Sorghum	2.35	3.25-3.60
Barley	2.31	2.60-2.80
Oats	1.36	1.60-1.80

¹ Estimated.

● President Carter signed into law the Agricultural Act of 1980 on December 3. It raises loan rates for 1980- and 1981-crop feed grains and wheat placed in the farmer-owned reserve. Producers with 1980 crops already in the reserve may also request the higher price supports. It also waives interest on reserve loans for those crops. It does not change reserve release and call prices, nor raise loan rates on regular 9-month loans.

This provides grain producers an opportunity for an interest-free reserve loan at a higher loan rate than what had been available, but only on 1980 and 1981 crops eligible for a reserve that has not been called. At present, since sorghum and oats have been called, only 1980-crop corn, barley, and wheat are eligible for the reserve on the new terms.

● The Crop Reporting Board has published in the Federal Register an intent to cancel the January Prospective Plantings report. That means you may not have an early-season indication of feed grain acreage for 1981.

Marketing: The Key Decision

With these factors in mind, here's a look at your primary marketing options:

● Selling now may be to your advantage if you do not own storage facilities and/or you need cash. Weigh this, and the good returns you can get on cash

investments against the possibility of higher prices later when more of the harvest has moved through marketing channels.

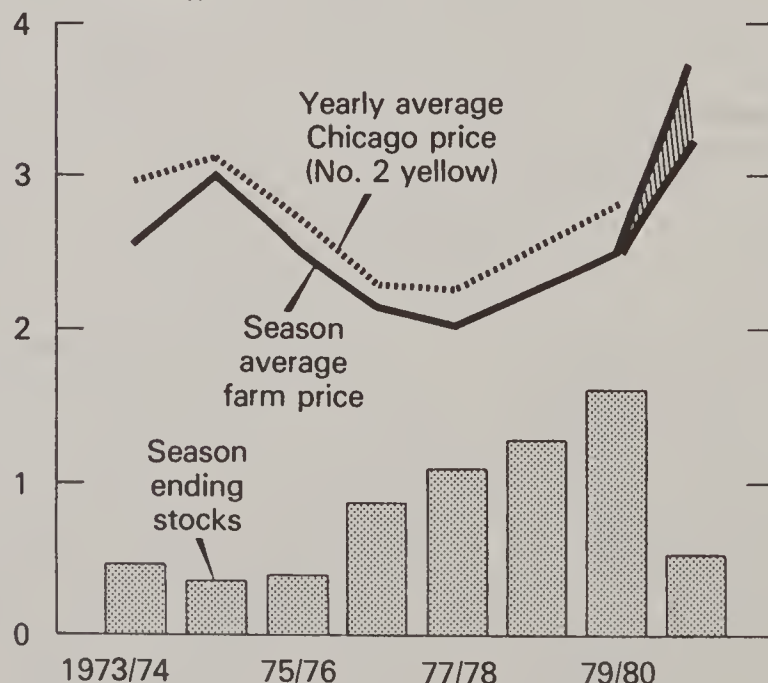
● The unusually strong futures delivery prices in relation to current cash prices may give you the opportunity to get more money from your crop than by selling for cash now. You may be able, by hedging, to lock in a favorable price but this generally rules out any further gains if prices should strengthen more. This is because gains or losses in settling a hedge contract are usually offset by similar changes in the cash price when you sell your grain.

● Since futures prices are so strong, check to see if your local elevator can offer you a forward contract on attractive terms.

● Consider a loan on your 1980 crops if you need cash and want to be free to choose when you pay off the loan and sell or use your grain during the next 9 months. Regular 9-month Government loans are available through your local ASCS office for 1980-crop grain that has not been under loan or in the reserve. Interest rates are 11.5

CORN PRICES STILL RISING

Bil. bu. and \$/bu.



1979/80 preliminary and 1980/81 projected. Year beginning October 1.

percent. You have until May 31, 1981 to get a loan on 1980 corn and sorghum crops, and until March 31 to get a loan on 1980 barley and oat crops. This may be a way to meet your cash needs with a conservative cost for interest.

- If you have 1980-crop corn, barley, or wheat in the reserve, you can sign a new reserve agreement to obtain an interest-free loan at a higher loan rate. The national average reserve loan rate for corn was raised from \$2.25 per bushel to \$2.40; for barley, from \$1.83 to \$1.95; and for wheat, from \$3.00 to \$3.30.

These 1980-crop grains also can be entered in the reserve on the new terms if you have them under regular 9-month loans, or if they have not been redeemed from a previous Government loan.

When Grain Is Called from the Reserve

When grain is called from the farmer-owned reserve, you have 90 days from the date you are notified of the call to pay off your reserve loan or else

WORLD COARSE GRAIN: U.S. TO SUPPLY INCREASE IN WORLD IMPORTS

	1979/80 ¹ Estimated	1980/81 ¹ Projected	Change
<i>Million metric tons</i>			
Production			
United States . . .	234.5	192.7	-41.8
Rest of world . . .	492.6	512.7	+20.1
Total	727.1	705.4	-21.7
Exports			
United States . . .	71.6	74.3	+2.7
Rest of world . . .	28.8	28.7	-0.1
Total	100.4	103.0	+2.6
Imports			
USSR	18.5	16.5	-2.0
Japan	18.9	19.1	+0.2
China	1.9	2.0	+0.1
Rest of world . . .	61.1	65.4	+4.3
Total	100.4	103.0	+2.6

¹ July/June years.

U.S. FEED GRAIN STOCKS TO FALL SHARPLY

	1979/80 Estimated	1980/81 Projected	Range
<i>Million metric tons</i>			
Beginning stocks . .	45.9	51.9	
Production	233.9	192.3	+3 to -3
Supply, total.	280.0	244.5	+3 to -1
Feed	135.9	126.5	+9 to -9
Food, seed, and industrial uses . . .	20.9	23.2	+1 to -1
Domestic use	156.8	149.7	+9 to -9
Exports.	71.3	74.2	+6 to -6
Use, total.	228.1	223.9	+13 to -13
Ending stocks	51.9	20.6	+7 to -7

forfeit your grain to the CCC. In most cases, you'll be ahead by paying off the loan.

You cannot reenter grain that has been called from the reserve unless prices drop below the release level during the 90-day period following the call. In that case, the grain that was called from the reserve is eligible to reenter the called contract under the same terms and conditions as before.

If You Were Hit by Disaster

A final reminder--if your crops were substantially smaller than normal due to adverse weather, check with your ASCS office to determine if you're eligible for low-yield disaster payments.

Basically you are eligible for such payments if your corn, sorghum, or barley yielded less than 60 percent of your farm's established yields for those crops. Producers who planted within their NCA are eligible to receive disaster payments based on higher target prices than producers who exceeded their NCA. Disaster payments under the 1980 rice, feed grain, wheat, and upland cotton programs combined are limited to \$100,000 per person.

FARMERS' NEWSLETTER



December 80/F-16

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101
FIRST CLASS



002 24
NAT'L AGR LIBRARY
USDA CURRENT SERIAL RECORDS
BELTSVILLE MD 20705
000086940-0
-RLSE
-2

To change your address, return the mailing label from this newsletter with your new address to ESS Publications, Room 0005-S, USDA, Washington, D.C. 20250.

Looking Ahead to 1981

Provisions of the 1981 feed grain program are similar to those of the 1980 program. Again, no acreage set-aside is required for eligibility for program benefits. Farmers will not be restricted to their normal crop acreage (NCA) for their 1981 plantings. They will, however, be requested to report their 1981 planted acreage to be eligible for program benefits.

USDA does not recommend bringing marginal lands into crop production--so if you plant fragile lands in 1981, that acreage will not be added to your farm's NCA in subsequent years--if the NCA concept is continued.

The loan rate for 1981 corn will be at least \$2.25 per bushel and other feed grain loan rates will be based on their feed value relationship to corn.

Feed grain target prices for 1981 crops will be announced next spring. They will be at least equal to the 1980 levels of \$2.35 per bushel for corn, \$2.50 per bushel for sorghum, and \$2.55 per bushel for barley.

To qualify for full target price protection, your corn, sorghum, or

barley acreage for 1981 harvest cannot exceed your considered plantings--actual plantings plus weather-prevented plantings, set-aside, and diverted acreage of that crop--for 1980. If grain prices are low enough during the first 5 months of the 1981/82 marketing year to trigger target price payments, farmers who exceed this acreage might have their payments reduced by up to 20 percent.

* * * * *

* 1980 Agricultural Chartbook *
* Now Available *
*
* More than 270 charts in this *
* 112-page publication depict the *
* trends of recent years for pro- *
* duction, energy prices, and many *
* other topics tied to agriculture. *
* Single copies of the 1980 Hand- *
* book of Agricultural Charts are *
* available free, while supplies *
* last, by writing to: *
*
* Chartbook *
* USDA *
* Rm. 440 GHI Bldg. *
* 500 12th Street, S.W. *
* Washington, D.C. 20250 *
*
* * * * *

RECEIVED
NAT'L AGRIC LIBRARY
U.S.D.A.